

CITY OF YREKA
ADOPTED BUDGET
2009 – 2010
September 17, 2009

City of Yreka

City Council

Mayor.....	Tom Amaral
Mayor Pro-Tempore.....	Jim Griffin
Councilmember.....	Jason Darrow
Councilmember.....	Rory McNeil
Councilmember.....	David Simmen

Management Personnel

City Manager.....	Brian Meek
Assistant to City Manager/City Clerk.....	Liz Casson
Building Official.....	Mark Schmitt
Chief of Police.....	Brian Bowles
City Attorney.....	Mary Frances McHugh
City Treasurer.....	Michael Pavlik
Finance Director.....	Rhetta Hogan
Planning Director.....	Pam Hayden
Public Works Director.....	Steve Neill

City of Yreka

Proposed 2009-10 Budget Calendar

Proposed Calendar	Original Calendar	
January 15, 2009	January 15, 2009 (City Council)	1) Discussion and or approval of budget calendar with scheduled council dates
February 2009 Powerpoint Handout	January 15 - February 6, 2009	2) Finance to prepare a rough cut of revenue, position control expenditures, and expenditure trends for City Council.
	February 2009 (City Council)	3) Review of unrestricted and restricted funds. Determine priorities and objectives, how to allocate limited resources
March – April 2009	March 1-15, 2008 (Finance)	4) Input Dept head budget's workpapers and meet with Dept. heads.
May 21, 2009 Mid-year revisions submitted for City Council approval	March 15-March 31, 2008 (Dept. Heads and Finance)	5) Meet with managers for Mid-year review (2008-09) and discuss Council directed budget guidelines. 6) Managers to prepare departmental budget workpapers incorporating strategic guidelines from City Council.
May 18, 2009 Draft Budget is available for Council review and comment	April 18-30, 2008 (Finance and Dept. Heads)	7) Submit budget drafts to dept heads, present to City Manager and council for comment and review.
May - June 2009	May 1-14, 2008 (Finance and City Manager)	8) Finalize #'s, revenue trends, new insurance rates, incorporate the governor's revised budget 9) Review and integrate City Manager and City Council's revisions.
May 20, 2009 (City Council)	May 20, 2008 (City Council)	10) Conduct City Council special meeting for Draft Budget Comments.
July 14, 2009 (City Council – budget study session)	June 4, 2008 (Finance)	11) Present 2 nd Proposed Budget available (include final City Manager and City Council revisions). Consideration of 2009-10 proposed budget
August 11, 2009 (City Council – budget study session)		12) Continued consideration of 2009-10 proposed budget.
September 3, 2009		13) Closed session – review of bargaining unit proposals for 2009-2010.
September 17, 2009	June 18, 2008 (City Council)	14) Budget adoption
December Utility Bill (Finance and City Manager)	September Utility Bill (Finance and City Manager)	15) Prepare User Friendly Budget newsletter

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Proposed 2009-2010
September 14, 2009

HIGHLIGHTS:

The Budget Gap

Each fiscal year, the City of Yreka has faced and met its challenges in setting local budget priorities to meet the ongoing needs of the community. The year 2009-2010 is of particular significance as the general fund, the primary operating fund for the City dealt with an initial \$1.3 million budget shortfall. Over the summer, that gap was narrowed to \$287,536, where anticipated revenues exceed projected expenses. Of the \$287,536, the City will be seeking to securitize and sell its receivable of approximately \$169,000 from the State of California, resulting from property tax payment deferrals. If the securitization of the State's receivable is authorized, the general operating fund will be reduced to a deficit of \$118,536.

And though, there is nothing new in that every year the City struggles with meeting the challenges of allocating revenue resources to provide various municipal services, what has however, distinguished this year from all others has been the cooperation of each employee and the volunteers of the YVFD in solving the problem. The City worked with the bargaining units, to reach settlement for no cost of living adjustment for 2009-10 (but for safety whose was already under an existing contract). In addition to no COLA, each bargaining unit has agreed to take 96 hours of furlough, or an equivalent of 4.6% work reduction. The YVFD agreed to \$25,000 in callout stipend concessions for fiscal year 2009-10.

Through the summer, the Yreka City Council held open meetings with the public and employees of the City to discuss the current financial situation of the City. The state of the City mirrors in part problems found in the state and federal economies. For the City of Yreka, revenue projections are lower from previous years for sales tax, transit occupancy tax, building permits and fee charges. The property tax revenue projections are lower by 8% due to the State's withholding the City's share of property taxes to assist in balancing their budget. All of these lower revenue projections have resulted in offsetting cuts to expenditures.

Silver Lining

Amidst the economic downturn and negative news, the City Council, is evaluating suggestions of the Yreka Development Commission. The Commission is looking at opportunities that may assist the City in climbing out of this economic downturn. City Manager, Brian Meek, expressed his concern in budget cuts that result in a City dismantled due to "death by a 1000 cuts".

Specifically, the City Council is exploring:

[a] Downtown revitalization, that includes plans for the Blacks Building, Franco-American Hotel.

[b] Development of a Commercial Business Park, involving site acquisition, brownfields assessment and cleanup, and the feasibility of a bio fuels co-generation plan

[c] Sustainable community that is energy efficient. Evaluation of pumping costs from Fall Creek by installing a penstock, application for ARRA Energy Grants, with a matching grant from Pacific Power. Evaluation of a bio fuels plant, and working with local investors to install a materials recycling facility.

More Economic Development

Water & Wastewater System:

The City has received preliminary grant funding and has been asked to apply for a USDA grant \$3 million and \$7 million loan for water system improvements totaling over \$10 million.

The City has also submitted a preliminary application for infrastructure improvements to USDA for the Wastewater Treatment Plant (WWTP) improvements that total over \$3 million. The City at this time has not received a reply from the USDA on its preliminary WWTP grant and loan application.

These USDA grants and loans are competitive. The City of Yreka is able to compete as the recent rates increases are critical in evaluating a community's commitment to support and pay for its water and wastewater utilities.

CDBG Business Loans, Micro ED & Housing

In other areas of economic development;

[a] The City has successfully competed for and received \$300,000 microenterprise technical assistance grant to promote hospitality and tourism.

[b] The City received a grant for \$500,000 in housing rehabilitation, in addition to its first \$500,000, and has another grant application for \$400,000 under review.

[c] The City has an open grant for economic development loans to business for job creation. This program has over \$214,000 in grant funds and \$200,000 in revolving loan funds available to lend.

[d] The City is currently working with the Siskiyou Economic Development Council on \$105,000 of technical assistance grants for economic development.

Roads, Streets, and Storm Drains

Storm Water Attenuation Grant, \$2.5 million. The City has faced delays from the state in suspending work due to the State's inability to issue bonds for these public works projects.

Parks, Greenways and Recreation

River Parkways \$1.5MM, is another grant project that was been placed on suspension by the state. The City is working closely with the state grant agency to proceed with work on this project.

Roberti Z-berg project this multiyear grant project has brought to Greenhorn Park two new restroom facilities, pedestrian bridge over the spillway, and the final phase includes a pedestrian trail around the reservoir.

FEMA Park Bridge Grant: The City continues work on 2005 FEMA repair for a park bridge.

Recycling and Solid Waste Collections

City will go out in fall 2009 to contract for waste collection services. In renewing its contract the City will be looking for route profitability, red flag billing compliance, recycling programs, franchise fee rates to cover road wear and repair costs.

BALANCE SHEET

Cash Flow Issues:

Important to note is that the City is leveraging grants/loan in excess of 2.5 times general fund annual operating budget makes the City highly leveraged in near term cash flows. The City needs to carefully monitor its ability to sustain the funding these infrastructure projects. Additional debt can restrict available cash with new lending covenants on reserves thereby giving the City less flexibility to use available cash to fund projects. The City may need to work with financial institutions, as it has done in the past, to establish short-term lines of credit for cash flow crunch due to lag between grant work performed and reimbursement from the granting agency.

Accounts Receivables

The City continues to carries nearly \$1 million in grant accounts receivable, some since June 2006 for FEMA related repairs from the 2005 Winter Storm event.

Debt (more information can be found in the audited financial statement for 2007-08)

The City LT debt includes:

\$212,000 Enterprise Planning System – Springbrook (Year 2 of 5) 0%

\$903,053 Fire Equipment (Year 3 of 10) 4.5%

\$2,150,000 Landfill Agreement with County of Siskiyou (Year 3 of 25) 5.39%

\$857,000 USDA Eastside Sewer (Year 5 of 40) 4.5%

\$893,039 SRLF Wastewater Treatment Plant Improvements (Year 3 of 20) 2.6%

\$197,809 Davis Grunsky Bond – Fall Creek Water (Year 40 of 40) 2.5%

Equity and Reserves

The City's general operating fund has a healthy fund balance that will allow it to have flexibility in solving short and long-term fiscal crisis and take advantage of funding opportunities. However, the expenditure of equity should be for one-time expenses and should not be considered for sustaining operating costs over any extended period.

The City is obliged from both the rates study and debt servicing agreements to establish fiscal policies to address adequate levels of reserves and debt servicing limits.

INCOME STATEMENT

Revenue:

The table below highlights mainstream General Operating Fund Revenue. The drop in sales tax revenue is expected to come in around \$1.3-\$1.4 million, down from the 2007-08 high of \$1.7 million. Building Permit Fees are expected to be \$50K, a significant drop from the 2006-07 high of \$142K

General Operating Fund (unconsolidated)							
	Actuals Fiscal Year 03-04	Actuals Fiscal Year 04-05	Actuals Fiscal Year 05-06	Actuals Fiscal Year 06-07	Actuals Fiscal Year 07-08	Operating Budget 08-09 (3)	Budget Projection 09-10
Property Tax	674,178	644,592	766,460	887,856	915,035	925,000	851,000
Transient Lodging	355,321	607,645	592,385	608,826	592,729	575,000	575,000
Sales Tax	1,772,464	1,682,590	1,599,734	1,607,462	1,709,256	1,400,000	1,400,000
Franchises	143,097	218,104	206,474	220,470	234,541	245,000	230,000
Business Licenses	67,128	69,994	75,191	77,491	80,060	80,000	80,000
Animal Licenses	9,336	9,324	29,057	10,431	10,842	20,000	25,000
Building Permits	41,301	179,318	100,000	94,546	77,344	35,000	35,000
Motor Vehicle License Fees	329,024	585,464 ⁽¹⁾	512,914	524,463	542,789	540,000	496,800
Triple Flip In Lieu Sales Tax	-	375,056 ⁽²⁾	541,007	509,797	597,296	550,000	460,000
Interfund Transfer (ICA)	324,896	341,393	287,106	300,028	241,775	253,281	270,000
Other Revenue	610,404	639,035	640,596	875,090	373,057	408,550	327,725
	4,327,150	5,352,515	5,350,925	5,716,459	5,374,723	5,031,831	4,750,525
Total Expenditures	4,699,542	4,736,932	4,904,241	4,911,637	5,043,881	5,335,025	5,218,704
Revenue as a % of Total GF Op	92%	113%	109%	116%	107%	94%	91%

(1) Includes one-time proceeds of \$109,442.14 from the sale of the VLF note receivable.

(2) Includes the tax shift impact of the Triple Flip in Lieu Sales Tax, whereas the State is withholding of 0.25% Sales Tax, that is offset by the Property Taxes ERAF shift to in-lieu Sales Tax that is payable to the City as in-lieu Sales Tax.

(3) Includes May 2009 Budget Revision.

Potential revenue opportunities from Ballot Voter Measures

- Business licenses – voter approval is needed increase rates. The local economy is trending towards service from retail and business license fees do not reflect this.
- Regional park and recreation district – sustain parks, trails and recreation
- Sales Tax – could be a dedicated funding source for roads and storm drains. Problem here is that the state just increased the sales tax \$.01 and sales tax revenue is expected to continue to fall or at minimum stay flat due to internet consumer purchasing behavior.

DIF Fees: The City implemented a phased in fee schedule that is subject to review every six-months. Public works staff still needs to present to City Council the impact of Storm Drain infrastructure needs and WWTP expansion in order to include these development impacts in the DIF fee study.

Expense:

Employee Wages

Estimated Wages are 3,038,899.02, Taxes, Workers Comp & Benefits 1,625,757.70, total compensation costs \$4,664,656.72. The savings of the 96-hour employee furloughs is \$107,056 for the general operating fund and \$151,400 for all funds combined.

In preparing the budget, only negotiated cost of living adjustments were considered for the YPOA unit. That was 4% for sworn officers and sergeants, and 2% administrative support staff for 2009-2010. No other COLA adjustments have been assumed.

Employee Benefits

The City will benefit from the 2 month healthcare premium rebate (\$63,810) authorized by CalPers for October and November of 2009. Those savings are budgeted. All other health benefits remain the same. Plans include CALPER's medical plans of PERS Choice and PORAC, VSP Vision care and BRMS Dental. Dental insurance is a self-insured policy therefore; accrual estimates are made based on prior year trends. In 2008-09, the departmental chargeback rate is \$25 individual rate, \$50 2-party rate and \$75 3-party + rate. The administrative cost of the third party administrator, commonly referred to as a TPA has increased to \$5.72 a month per employee for dental coverage. In the run rate for 2008-09 the accrual looks like it may be low compared to actual costs, however, in prior years the premium estimated has exceed the actual cost, therefore I made no modifications to the premium.

Other Expenses

Control purchases implanting purchase order approval authority within organization and formalizing purchase orders and payments policies with the City's vendors.

Capital Outlay Non Grant Supported

General Fund: \$65K installment payment 2 on 5-year purchase of COY financial system and continued conversion/implementation costs

Enterprise Funds: \$40K Dump Truck, \$45K Vibratory Roller, \$300K Sewer Vacuum Truck, \$46K Tractor, \$135K Front end Loader, \$28K Equipment Trailer (for loader)

BUDGET 2009-2010

GLOSSARY OF BUDGET TERMS

ACCOUNT – A classification of expenditure or revenue. Example: "Office Expense" is an account in "Services and Supplies."

APPROPRIATION – An authorization granted by the City Council to make expenditures and to incur obligations for specific purposes. An appropriation expires at the end of the fiscal year.

APPROPRIATION LIMITS – Proposition 4 (November 1979) limited City-allowable expenditures to those budgeted in FY 1979 with annual increases for population and cost of living. This is also known as the "Gann limit."

ASSESSED VALUATION – A valuation set upon real estate or other property by the County or State Board of Equalization as a basis for levying taxes.

AUTHORIZED POSITIONS – Positions approved by the City Council and included in the City's Salary Resolution.

AVAILABLE FINANCING – All the components of financing a budget, including available fund balance, revenues, equity transfers and reductions of reserves.

AVAILABLE FUND BALANCE – The amount of fund equity available to finance the budget after deducting encumbrances, reserves and designations which identify limitations of its availability.

BUDGET – The planning and controlling document for financial operation with estimates of proposed expenditures and revenues for the fiscal year.

CAPITAL PROJECT – A program itemizing the City's acquisitions, additions and improvement to fixed assets, including buildings, building improvements and land purchases.

CHARGES FOR SERVICES – Revenues resulting from fees for services provided to businesses, individuals and other governmental agencies.

COLA – Cost of living adjustment.

COST CENTER – A grouping of accounts, generally by department, to record expenditures of salary, benefits, departmental operations and capital outlay.

CONTINGENCY – An amount not to exceed a designated percent of specified appropriations of the fund in which it is allocated, appropriated for unforeseen expenditure requirements.

CONTRACTED SERVICES – Expense of services rendered under contract by personnel who are not on the payroll of the City, including all related expenses covered by the contract.

NON-DEPARTMENTAL REVENUES – The main operating funds of the City's General Fund accounting for expenditures and revenues for Citywide activities.

DEPARTMENT – An organizational device used by City management to group programs and activities of like nature.

DESIGNATION – For government fund types, a segregation of a portion of the unreserved fund balance to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies, equipment replacement or financing receivables.

EMPLOYEE BENEFITS – Amounts paid on behalf of employees; these amounts are not included in the gross salary. Fringe benefit payments, while not paid directly to employees, are a part of the cost of salaries and benefits. Examples are group health or life insurance payments, contributions to employee retirement, Social Security taxes, workers' compensation payments and unemployment insurance payments.

ENTERPRISE FUND – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

E.R.A.F. – Refers to the Educational Revenue Augmentation Fund was first established by the State of California in FY 1992-93. This fund was established by the State to allow distribution of property tax funds that were shifted from cities, special districts and the County to offset cuts in State revenues to schools.

E.R.A.F. III: ERAF III is a two year (FY 04-05, and FY 05-06) property tax revenue reduction and shift to the State in exchange for Support for measure A. The revenue shift will be implemented through a temporary reduction in the City's local property tax allocation and a corresponding contribution to the County ERAF fund. The County ERAF fund provides for distributions back to the Cities for the Triple Flip and VLF Swap.

EXPENDITURE – The payment for the cost of goods delivered or services rendered during the fiscal year.

FINAL BUDGET – Approved legal spending plan for a fiscal year.

FISCAL YEAR – Represents the twelve-month period for which a budget is prepared. The fiscal year runs from July 1 through June 30.

FIXED ASSET – A tangible item of a long-term character such as land, buildings, furniture and other equipment with a unit cost in excess of \$5,000.

FUNCTION – A group of related budget units aimed at accomplishing a major service for which a governmental unit is responsible. The State Controller specifies these designations. Example: "Public Protection" is a function.

FUND – An independent fiscal and accounting entity with a self-balancing set of accounts. Revenue from property tax as well as other sources is deposited in the General Fund for the support of a wide variety of activities. Other revenues are deposited in special funds which support appropriations for limited purposes. Examples are the Gas Tax and LTC funds which exist to segregate money that is legally required to be expended for specific purposes.

FUND BALANCE – The excess balance of assets of a fund over its liabilities. A portion of this balance may be available to finance the succeeding year's budget. "Carryover" or "Carryover Funds" are terms synonymous with Fund Balance.

GASB 34 – GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, provides a new look and focus of reporting public finance. Under the new standard, anyone with an interest in public finance—citizens, the media, bond raters, creditors, legislators, and others—will have more and easier-to-understand information about their governments. Among the major innovations of Statement 34, governments will be required to:

- Report on the *overall* state of the government's financial health, not just its individual "funds"
- Provide the most complete information ever available about the cost of delivering services to their citizens
- Include for the first time information about the government's public infrastructure assets—such as bridges, roads, and storm sewers
- Prepare an introductory narrative section analyzing the government's financial performance.

GENERAL FUND – The main operating fund of the City. The use of this fund is unrestricted.

GENERAL RESERVE – An amount in a fund used to meet cash requirements, emergency expenditures, or future defined requirements. A reserve is not an appropriation, and there is no limitation on the amount of reserve that can be established.

GRANT – A contribution from one governmental unit to another - usually made for a specific purpose and time period.

INTRAFUND TRANSFER – An account used to budget for transfers of costs between budget units in the same fund. Intrafund transfers are used to distribute staff costs for budgetary and internal operating statement purposes.

MANDATED PROGRAMS – Mandated programs are those programs and services which the City is required to provide under specific State and/or Federal law.

MATCH – The term “match” refers to the percentage of local discretionary City monies in the General Fund which, by law, must be used to match a certain amount of State and/or Federal funds.

NEGOTIATED SALARY ADJUSTMENTS – Employee salary adjustments as approved by the City Council under contracts (Memorandum of Understanding) with the City’s five bargaining units.

OPEB – Other post employment benefits (OPEB) acronym refers to GASB45, which requires agencies to measure, report and place in trust the present value of other retirement benefits, primarily retiree health benefits.

PROGRAM REVENUE – Revenue which is derived from and dedicated to specific program operations.

PROJECTED BUDGET – The City Manager’s annual recommended budget to the City Council.

PROPOSITION 172 – Proposition 172, passed in November 1993, established a ½ cent sales tax to be used to fund eligible public safety activities. The Police Department is eligible for funding under this proposition.

REAL PROPERTY – Land and the structures attached to it.

REIMBURSEMENT – Payment received for services/supplies expended for another institution, agency or person.

RESERVE – An account used to earmark a portion of fund equity which is legally or contractually restricted for future use, or not available for expenditure.

RETAINED EARNINGS – An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund.

REVENUE – Money received to finance ongoing City services. Examples: property taxes, sales taxes, fees and State and Federal grants.

SALARIES AND EMPLOYEE BENEFITS – An object of expenditure which establishes all expenditures for employee related costs.

SALARY SAVINGS – The dollar amount of salaries which can be expected to be saved due to vacancies and turnover of employees.

SERVICES AND SUPPLIES – An object of expenditure which establishes expenditures for the operating expenses of City departments and programs.

SPECIAL DISTRICT – Independent unit of local government generally organized to perform a function(s) for a specific area. Examples: street lighting, waterworks and libraries.

SPENDING LIMITS – Refers to the Gann Initiative (Proposition 4 on the November 1979 ballot) which imposed limits on the allowable annual appropriations of the State, schools, and most local agencies. The limit is generally prior year appropriations factored by Consumer Price Index and population changes.

SUBVENTION – Payments by an outside agency (usually from a higher governmental unit) for costs which originate in the City.

TRIPLE FLIP - Prior to 03-04 cities have generally received 1% of Bradley Burns state-wide sales tax, however, as of 7/1/04 the State reduced this to 0.25% with a dollar for dollar allocation of local property tax from the County ERAF funds. The 0.25% is to pay for the State's Economic Recovery Bonds.

UNINCORPORATED AREA – The areas of the County outside city boundaries.

UNFUNDED MANDATE – An unfunded mandate is a requirement imposed by Congress or other governmental agencies on state and local governments with no funding to pay for it.

UNREIMBURSED COST – The difference between total appropriations and total revenues for a given department.

VLF SWAP – Vehicle License Fees previously assessed Motor Vehicle License fees at 2% of value, but during 03-04, the State dropped this fee from 2% to 0.67%. Except for the first three months of the year, the State has back-filled this fee reduction with additional allocation of local property tax from County ERAF fund.